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TALKING POINTS FOR DCI, DDCI LUNCHEON WITH CLARK

IRAN

Internal

The regime has at least temporarily thwarted its domestic opponents through harsh repression.



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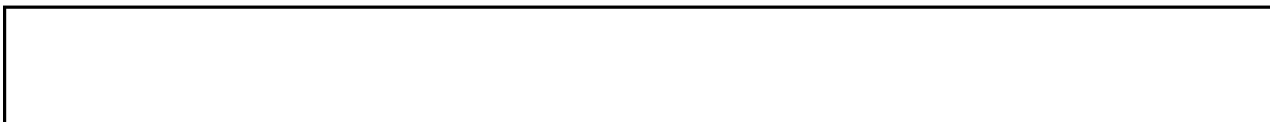
The economy continues to limp along, with no significant expansion projected soon. A more competitive pricing policy for oil was recently adopted, which should ease the current hard currency crush. The government's distribution of food and other consumer supplies will probably continue to satisfy the limited expectations of poorer Iranians -- the regime's power base.

External

Tehran's growing confidence it will win the war with Iraq is making it more assertive with Baghdad's Arab neighbors.

-- It has warned Gulf Arab leaders bluntly that aid to Iraq is both futile and shortsighted.

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-- Iran believes its military gains will eventually cause the collapse of the regime in Baghdad and therefore remains uninterested in negotiating a settlement of the war.

Relations with the Soviets

Relations remain strained, but Western reluctance to supply arms and enter into longterm agreements with Iran will increase pressures on Tehran to expand trade with Communist countries and their clients.

-- Iran believes that its greatest threat comes from the US and that the USSR is a "lesser Satan."

-- Its leaders, moreover, appear confident that they can control their relations with Moscow.

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-- The Soviets continue to give strong public support to the Khomeini regime and continue to stress the threat to Iran from the US.

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